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CHARTERED ACCOUNTANTS
& BUSINESS ADVISERS

Charity Governance

Best practice and common pitfalls



Emma Mills

Director

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1 Purposes and public benefit

Make sure the charity carries out its purposes for the public benefit.

2 Governing document and law

Comply with the governing document and with charity and company law.

3 Act in the charity's interests

Put the charity first and avoid conflicts and personal benefit.

4 Manage resources responsibly

Protect assets, use funds only for charitable purposes, avoid undue risk.

5 Reasonable care and skill

Take advice where needed and make informed, recorded decisions.

6 Be accountable

Keep proper records, file on time and report openly to funders and the public.

Source: Charity Commission, The essential trustee (CC3)

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The Charity Governance Code

Seven principles. A version for smaller charities exists, and it works on an apply-or-explain basis.

1 **Organisational purpose**

2 **Leadership**

3 **Integrity**

4 **Decision-making, risk and control**

5 **Board effectiveness**

6 **Equity, diversity and inclusion**

7 **Openness and accountability**

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Building an effective board

The right people

Run a skills audit, recruit openly and look beyond the usual network. Aim for a mix of backgrounds and experience.

A proper start

Give every new trustee an induction pack, a copy of CC3 and a clear role description. Introduce them to staff.

Planned turnover

Set term limits (for example three terms of three years). Plan succession for the Chair and Treasurer. Review the board annually.

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Financial oversight

Area	Good practice
Reporting	Management accounts reviewed against budget at every meeting
Reserves	Policy agreed, reviewed yearly and explained in the trustees' report
Restricted funds	Tracked separately, with spend checked against the donor's purpose
Controls	Dual authorisation, segregation of duties, independent bank reconciliation
Fraud and cyber	Verify any change of bank details by phone; train staff on phishing

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Risk, conflicts and policies

Risk register

List the top risks with an owner, a rating and a mitigation. Review it at least twice a year and link it to strategy.

Conflicts of interest

Keep a register. Declare at the start of every meeting, minute it and step out of the discussion. Check authority before paying trustees.

Policy calendar

Safeguarding, finance, data protection, whistleblowing and complaints, each with an owner and a review date.

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Hot topics for trustees

1. Safeguarding

A core trustee responsibility. Check the policy is current, training is up to date and everyone knows how to raise a concern.

2. Fraud and Cyber

Fake invoices, changed bank details and phishing target small charities. Use multi-factor sign-in, backups and a call-back rule for payment changes.

3. AI and Digital Tools

Agree a short policy on what staff and volunteers may enter into AI tools, keep a human check on outputs and respect data protection.

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Common pitfalls

1 Decisions not minuted

Minutes should capture the decision and the reasoning, not just attendance.

2 Key-person dependency

One Treasurer, CEO or founder holds all the knowledge and nobody challenges.

3 Out-of-date governing document

Powers, trustee numbers or purposes no longer match how the charity operates.

4 Restricted funds blurred

Grants spent on general costs, or no tracking against the grant purpose.

5 Late filings

Missed deadlines at the Charity Commission or Companies House.

6 Policies never reviewed

Written once for a funder, then forgotten until something goes wrong.

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Governance health check

1. Governing document reviewed in the last three years?
2. Skills audit and succession plan for the Chair and Treasurer?
3. Conflicts register updated this year?
4. Reserves policy agreed in the last 12 months?
5. Risk register on the agenda at least twice a year?

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Three things to do this quarter

1 Review the board

Run a skills audit and agree a succession plan for key roles.

2 Refresh the basics

Update the conflicts register, agree a reserves policy and check the governing document.

3 Diarise oversight

Put the risk register and policy review dates into the annual board calendar.

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Questions to take away

- Does our board receive the right information?
- Are we challenging enough?
- Do we have the right people around the table?
- What is our biggest risk?
- If the Charity Commission visited tomorrow, what would worry us most?